

LR1/ek4 11/4/2016



**FILED**  
**CALIFORNIA**  
01:41 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In The Matter of the Application of San Diego Gas & Electric Company (U902G) and Southern California Gas Company (U904G) for a Certificate of Public Convenience and Necessity for the Pipeline Safety & Reliability Project.

Application 15-09-013  
(Filed September 30, 2015)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER**

## Table of Contents

Title	Page
Background.....	2
1. Scope of Issues .....	4
2. Schedule .....	21
3. Motions for Party Status .....	25
4. Intervenor Compensation .....	25
5. Category of Proceeding .....	26
6. Need for Hearing.....	26
7. <i>Ex Parte</i> Communications .....	27
8. Filing, Service and Service List.....	27
9. Discovery .....	28
10. Public Advisor .....	28
11. Exhibits.....	29
12. Briefs .....	29
13. Settlement and Alternative Dispute Resolution .....	30
14. Final Oral Argument.....	30
15. Assignment of Proceeding .....	30
16. Opportunity to Participate in CEQA/NEPA Review .....	30

## SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER

This Scoping Memo and Ruling sets forth the category, issues, need for hearing, schedule, and other matters necessary to scope this proceeding pursuant to Public Utilities Code §1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.<sup>1</sup>

### Background

By their application, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (collectively, "Applicants") seek a Certificate of Public Convenience and Necessity (CPCN) for the construction of a new 47-mile long, 36-inch diameter natural gas transmission Line 3602 Pipeline (Proposed Project) from Rainbow Station to Miramar, at a construction cost of \$639 million.<sup>2</sup> The Proposed Project would replace a 16-inch natural gas transmission pipeline, also from Rainbow Station to Miramar.

The Proposed Route is located in San Diego County, California and crosses the cities of San Diego, Escondido, and Poway; unincorporated communities in San Diego County; and federal land. Approximately 87% (approximately 41 miles) of the Proposed Route will be installed in urban areas within existing roadways and road shoulders, pursuant to franchise agreements.<sup>3</sup>

With the Proposed Project, the Applicants state that capacity on the San Diego gas system will be increased by approximately 200 million cubic feet per day (MMcfd). This proposed throughput assumes that all facilities are in

---

<sup>1</sup> California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

<sup>2</sup> See Proponent's Environmental Assessment (PEA) Supplement, March 2016, Table 2-5 at 2-22.

<sup>3</sup> See "Application of San Diego Gas & Electric Company and Southern California Gas Company for a Certificate of Public Convenience and Necessity for the Pipeline Safety & Reliability Project" (Application) at 7.

operational order and will accommodate elevated demand conditions.<sup>4</sup> The Applicants estimate that the annual revenue requirement will be \$85.9 million, resulting in an increase of 8.3 cents/Decatherm (Dth) (or 51% increase) in the Backbone Transportation (BTS) charge as early as 2020.<sup>5</sup>

Applicants also propose to derate the existing Line 1600 (100 MMcfd capacity) from transmission service to distribution service, which would be accomplished by lowering the line's operating pressure. Derating the line to distribution service at a cost of \$29.5 million would avoid any potential customer impacts associated with pressure testing Line 1600 at an approximate loaded cost of \$112.9 million.

As set forth in its accompanying Proponent's Environmental Assessment (PEA),<sup>6</sup> the Applicants maintain that the Proposed Project is needed to meet three fundamental objectives:

- 1) Implement pipeline safety requirements for existing Line 1600 and modernize the system with state-of-the-art materials;<sup>7</sup>
- 2) Improve system reliability and resiliency by minimizing dependence on a single pipeline; and
- 3) Enhance operational flexibility to manage stress conditions by increasing system capacity.<sup>8</sup>

---

<sup>4</sup> PEA at 2-7.

<sup>5</sup> Amended Application, March 21, 2016, Appendix J, Table 1.

<sup>6</sup> Refer to Volume II of the Application.

<sup>7</sup> "Line 1600 is an existing 50-mile natural gas transmission line constructed in 1949 that has not been pressure tested in accordance with modern day practices and recently-adopted regulations. In Decision 14-06-007, the Commission adopted the Applicants' Pipeline Safety Enhancement Plan (PSEP), which calls for pressure testing or replacing the transmission function of Line 1600." (Application at 2, Footnote 1.)

A prehearing conference (PHC) was set by a ruling dated August 15, 2016 and the parties were subsequently directed to file PHC statements.

SDG&E and SoCalGas, Sierra Club, Southern California Gas Coalition (SCGC), Utility Consumers' Action Network (UCAN), and the Office of Ratepayer Advocates (ORA) filed PHC statements on September 16, 2016.<sup>9</sup> On September 22, 2016, the PHC was held to determine parties, discuss the scope, the schedule, and other procedural matters.

### **1. Scope of Issues**

Pursuant to Public Utilities Code (Pub. Util. Code) § 1001 et seq., SDG&E and SoCalGas may not proceed with its proposed project absent certification by the Commission that the present or future public convenience and necessity require it, and such certification shall specify the maximum prudent and reasonable cost of the approved project. The proposed project is subject to environmental review pursuant to the California Environmental Quality Act (CEQA).

CEQA requires the lead agency to conduct a review to identify the environmental impacts of the project, and ways to avoid or reduce significant adverse environmental impacts, for consideration in the determination of whether to approve the project, a project alternative, or no project. CEQA requires that the lead agency prepare an EIR to identify the environmental

---

<sup>8</sup> According to the Applicants, these objectives are described more fully in the PEA, Chapter 2.0 Purpose and Need, Volume II of the Application, Section 2.0 at 2-1. (Application at 2.)

<sup>9</sup> A summary of protests, responses, and replies to both the Original and Amended Application is contained in the "Joint Assigned Commissioner and Administrative Law Judge's Ruling Requiring an Amended Application and Seeking Protests, Responses, and Replies" issued January 22, 2016.

impacts of the proposed project and alternatives, design a recommended mitigation program to reduce any potentially significant impacts, and identify, from an environmental perspective, the preferred project alternative. If the agency approves the project, it must require the environmentally superior alternative and identified mitigation measures, unless they are found to be infeasible. The lead agency may not approve a project unless it determines that there are overriding considerations that merit project approval despite its environmental impacts.

The proposed project would cross approximately 3.5 miles of land within United States Marine Corps (USMC) Air Station Miramar (Miramar) and requires environmental review pursuant to the National Environmental Policy Act (NEPA). On October 19, 2016, a Memorandum of Understanding (MOU) between the Commission and USMC Miramar was signed to undertake a joint environmental review process. The Commission will act as the CEQA Lead Agency and USMC Miramar will act as the NEPA Lead Agency. The California Department of Transportation was a signatory to the MOU. The proposed pipeline would generally follow the alignments of U.S. Route 395 (Old Highway 395) and Interstate 15 for approximately 21 miles and would cross these highways and several State Routes.

Interested parties were provided an opportunity to comment on what issues should be included in the scope of this proceeding in their protests, responses, and replies to the Original Application and Amended Application; motions and responses to motions; PHC statements; and the discussion at the PHC. Parties should develop prepared testimony to address any issues on which material facts may be disputed.

### **Preliminary Need**

Parties assert that the Applicants do not demonstrate a need for additional pipeline capacity in an era of declining demand and at time when California is moving away from fossil fuels. To reinforce this point, parties contend that the Applicants do not apply the Commission's existing reliability criterion to guide its analysis, do not use current gas demand forecasts in their amended application, and have not taken into account those policies that have been adopted to reduce natural gas consumption in California since January 2015 (*e.g.*, Senate Bill 350, Senate Bill 32).

### **Standard of Review to Achieve "Safety" and "Reliability" Objectives**

As to safety objectives, Decision (D.) 14-06-007 and successor decision D.15-12-020<sup>10</sup> require the Applicants to pressure test and potentially replace Line 1600 as part of the approved Pipeline Safety Enhancement Plan (PSEP) decision tree. In D.14-06-007, SoCalGas and SDG&E were *not* seeking approval either to replace Line 1600 in the existing right-of-way, or to build a new pipeline, like Line 3602, that lies outside of the existing Line 1600 right-of-way.<sup>11</sup> Instead, inconsistent with the Applicants' implementation plan approved in those decisions, the Applicants now seek to derate to distribution service, but not pressure test and replace the *existing* Line 1600. (In response to protests, the

---

<sup>10</sup> See D.14-06-007 "Decision Implementing a Safety Enhancement Plan and Approval Process for San Diego Gas & Electric Company and Southern California Gas Company; Denying the Proposed Cost Allocation for Safety Enhancement Costs; and Adopting a Ratemaking Settlement," issued June 12, 2014 and D.15-12-020 "Decision on Remanded Issues for the Adopted Safety Enhancement Plans on San Diego Gas & Electric Company and Southern California Gas Company," issued December 17, 2015.

<sup>11</sup> See D.14-06-007 at 190-191.

Applicants now concede that Line 1600 can be taken out of service to conduct pressure testing without replacing that line.)

At the time of the original application, Line 1600 at 640 psig<sup>12</sup> provided only ten percent of SDG&E's demand at 100 MMcfd, while Line 3010 at 530 psig provided 90% of SDG&E's demand. After the Commission approved Resolution SED-1 on August 18, 2016, Line 1600 was further derated from 640 psig to 510 psig, or approximately 70 MMcfd.<sup>13</sup> If the line is subsequently converted to distribution service at 320 psig as the Applicants request, then the volume of the line would drop to approximately 40 MMcfd, which translates to less than five percent of the SDG&E's current demand.

As to reliability objectives, D.02-11-003 and D.06-09-039<sup>14</sup> require the Applicants to adhere to a reliability standard for firm non-core service in one-in-ten (one curtailment in ten years) cold year conditions which already provides some measure of the excess, or "slack," capacity that is on SDG&E's transmission system. While SDG&E acknowledges that Lines 3010 and 1600 have sufficient capacity to meet the Commission's mandated design standards

---

<sup>12</sup> This is a measurement of pressure relative to the ambient atmospheric pressure.

<sup>13</sup> See Commission Safety and Enforcement Division Resolution No. SED-1 issued August 18, 2016. Reducing the operating pressure on Line 1600 to 512 psig, represents a 20% reduction from design-based maximum allowable operating pressure (MAOP). According to SED-1, "the Commission received certain safety data concerning Line 1600 which does not show conclusively that Line 1600 is unsafe for any purpose, nor does it show conclusively that it is safe as it is currently being used." See Findings and Conclusions 6.

<sup>14</sup> See D.02-11-073 "Opinion on Adequacy of Southern California Gas Company's and San Diego Gas and Electric Company's Gas Transmission Systems to Serve the Present and Future Needs of Core and Noncore Gas Customers," issued November 21, 2002 and "Phase 2 Order Addressing Infrastructure Adequacy & Slack Capacity, Interconnection & Operational Balancing Agreements, an Infrastructure Working Group, Natural Gas Supply and Infrastructure Adequacy for Electric Generators, Natural Gas Quality, and other Matters," issued September 21, 2006.



for core and non-core service through 2035/36, it maintains that providing “duplicative” or “redundant” capacity would improve reliability, and operational flexibility. Whether the Applicants are proposing a redundancy solution specific to the facts of this case or a new standard of gas system reliability, such proposals bear examination in this case.<sup>15</sup>

### **Status of Line 1600**

ORA points out that the Applicants maintain that Line 1600 is currently safe to operate at 640 psig and that inline inspections conducted after the 2009 San Bruno explosion “demonstrate that the line is fit for service.”<sup>16</sup> (In a response to ORA data requests, the Applicants stated that Line 1600 was safe to operate at 800 psig.)<sup>17</sup> According to ORA, based on ongoing maintenance so far, SDG&E has not identified or observed any seam flaws or other defects that warrant replacement of the entire line. ORA argues that in the absence of replacing the existing line, SDG&E should hydrotest the line. Still further, SCGC asserts that another attractive alternative to pressure testing would be to derate Line 1600 without constructing Line 3602. Such an action would be less costly, would increase safety, and would extend the useful life of Line 1600. Parties emphasize that the Applicants should not use the proposed Line 3602 project, which is a long-term project, to avoid existing short-term Line 1600 safety requirements. ORA stated during the PHC that prudent historical management of Line 1600

---

<sup>15</sup> See SCGC’s Response to ORA’s Motion to Dismiss at 7-13.

<sup>16</sup> See ORA’s June 17, 2016 Motion to Dismiss which highlights a number of perceived deficiencies in SDG&E’s Amended Application. UCAN, SCGC, and TURN supported the motion.

<sup>17</sup> See ORA Motion to Dismiss, Attachment A, ORA Data Request No. 12, Question 13.

should be considered with respect to allocating costs for some or all of an action resulting from this proceeding.

### **Otay Mesa Supply**

Because the capacity of proposed Line 3602 outsizes Line 1600 replacement capacity, parties assert that the Application is a method to leverage import/export opportunities to and from Mexico. The Applicants deny this claim, and have said that such a strategy is risky and could result in a costly asset becoming stranded before the end of its useful life. In response, parties suggest that if such an asset were to become stranded, that begs the question regarding whether any cost burden should be placed on shareholders rather than ratepayers.

At the PHC, the Applicants stated that they have the ability to bring in 400 MMcfd through Otay Mesa at the U.S./Mexico border. Theoretically, this volume is sufficient to compensate for Line 1600, which has a current throughput of 70 MMcfd, even if the pipeline were to be completely out or unable to provide service. However, if Line 3010 (which provides 90% of SDG&E's demand) is out, there could be a shortfall that needs to be met. If Line 1600 is derated from 520 psig to 320 psig, the capacity flowing through Line 1600 would decrease to 40 MMcfd, suggesting that the flow through Otay Mesa would have to be maximized.

Parties argue that exploration of existing Otay Mesa supply capability is a threshold issue to scope out early in the proceeding, since doing so could help provide an early determination of need. At the PHC, parties suggested that this issue should be briefed in order to be able to appreciate the "big picture" context for the entire application moving forward.

It is beneficial to explore the opportunities and challenges that reside with Otay Mesa supply capability before considering alternatives that fall within the domain of CEQA review. I would like to take a more efficient approach to this complex case and initially explore matters related to need. This exploration will assume hypothetically that there are no significant environmental impacts associated with the proposed project or other alternatives. Given the parties' robust discovery process thus far, parties are encouraged to offer briefs and stipulated facts as a means to enter foundational information into the record early in the proceeding. This will enable the Commission to better assess need and/or more efficiently guide the direction of the proceeding and the CEQA process in fulfillment of specific project objectives and identification of appropriate alternatives.

### **Missing and/or Incomplete Information**

Parties express concerns that the application is deficient because it does not comply with basic provisions of Rule 3.1 pertaining to CPCN "Construction or Extension of Facilities Requirements," which require Applicants to provide the following basic information:

- Ten-year forecasted (maximum daily and annual daily average daily) volumes in the area to be served by the proposed Line 3602; including information on the quality of gas and broken down by customer type (*e.g.* core, non-core commercial and industrial, and noncore electric generation;
- Ten-year historic monthly volumes through Line 1600; and
- Ten-year historic daily and annual maximum volumes through Line 1600.

ORA and other parties argue that the Applicants fail to provide sufficient information in its Original or Amended Application. Instead, the Applicants

assert that they don't conduct any analysis or monitoring of the natural gas lines mentioned above.

ORA also explains that the Applicants don't provide critical cost information, provide conflicting advice pertaining to the methodology to evaluate the "No Project" alternative; fail to isolate the "North Baja" or Otay Mesa alternative from the other "non-physical or minimal footprint alternatives," and the North Baja/Otay Mesa alternative as evaluated in the Cost-Effectiveness Analysis assumes more receipt capacity at Otay Mesa (400 MMcfd) than what is indicated (or implied) as necessary in the original PEA's description of the North Baja Alternative (195 MMcfd).

According to the PEA: "The existing North Baja pipeline includes an available daily capacity of 185 MMcfd, which is approximately the same net quantity of additional capacity that the Proposed Project would provide [(200 MMcfd)]." The PEA further states: "Should capacity become available to the Applicant[s], the North Baja Alternative may be able to utilize existing infrastructure without requiring the construction of additional facilities and pipeline, and consequently without the associated environmental and social impacts and site suitability issue."<sup>18</sup>

In this scoping memo, I agree with ORA's and other parties' similar observations that the Applicants should provide some of the missing information that should constitute the foundation of any application.<sup>19</sup> We cannot evaluate a \$639 million project without sufficient information.

---

<sup>18</sup> PEA at 5-15.

<sup>19</sup> The Original and Amended Application has never been deemed "complete," which was an original condition to be met before the scheduling of the prehearing conference.

Gathering some of this information in a first phase of this proceeding will help guide the joint CEQA/NEPA process by providing a more clear reliability standard of review and greater understanding of purported need. The Applicants have proposed that the initial phase include not only a review of the Otay Mesa Alternative, but also alternatives, such as battery storage, LNG storage facilities, and alternative diameter pipelines. While these alternatives can be discussed in the context of making an initial need determination, the discussion may not predetermine the outcome of the alternative analysis required by CEQA.

### **Bifurcation of the Proceeding**

As to phasing the proceeding, the Applicants propose addressing need, design and purpose before completion of the CEQA environmental review document<sup>20</sup> and cost. In response, TURN, ORA, and SCG originally objected to separating the consideration of need from cost. In PHC statements, ORA, Sierra Club, SCGC, UCAN, and Protect Our Communities now recommend that CEQA analysis occur before consideration of purpose and need. They assert that since Line 1600 has recently been derated to a safe level, there is no urgency to move as quickly as the Applicants propose. CEQA alternatives generally inform need determinations, and to some extent how need may be articulated for purposes of the record. As ORA points out, if need/cost is addressed first, there is a risk that testimony would need to be revisited and possibly additional hearings held once the CEQA process concludes. This “back and forth” evaluation process may not be efficient or timely.

---

<sup>20</sup> CEQA review questions generally relate to: 1) environmental impacts, 2) mitigation/alternatives, and 3) superior alternative.

In response to the “CEQA first” proposal, the Applicants express concern that waiting for testimony and hearings on need, design, purpose, and presumably cost, until after the CEQA/NEPA environmental review, would delay the proceeding unnecessarily. To counteract this delay, Sierra Club suggests a compromise that allows receipt of testimony and hearings after the completion of a draft environmental document rather than the final environmental document. Protect Our Communities said there is a good chance that the project could have immitigable impacts, which will require the Commission to adopt statements of overriding considerations. As stated above, most parties are sympathetic to initially addressing the standard of review pertaining to the appropriate reliability standard and demand forecasts that would inform the CEQA process. These issues could be briefed as legal issues for the Commission to consider without the need for testimony or hearings.

**Phase One –**

**Long-Term Need, Planning Assumptions, Standards of Review, Otay Mesa Supply Capability, Line 1600 Safety Compliance**

Based on pleadings and the PHC discussion, I set out Phase One issues that are designed to establish the need for the project by resolving basic planning assumptions and standards of review that may inform the joint CEQA/NEPA process. Such planning assumptions set forth the appropriate reliability standards, the base year, planning horizon, and the demand forecasts. Such planning assumptions also address the extent to which existing supply availability at Otay Mesa, and Line 1600 short-term safety compliance may help inform a need determination early in the proceeding. I emphasize that addressing the need determination in Phase One in no way predetermines the outcome of the Commission’s CEQA process. Should our Phase One process

determine that there is need for a project that meets the project objectives, any determinations made in Phase One will be carried forward into the environmental review document. In the meantime, as directed in D.14-06-007, the Commission's Safety and Enforcement Division is delegated the proper authority to oversee the safety of Line 1600 and ensure that the directives of Resolution SED-1 are carried out in a timely fashion.

Phase One issues that rely solely on an interpretation of law and/or Commission decisions, stipulated facts, official notice of facts, and/or high level policy determinations, are deferred to briefing. However, if disputed material facts emerge, then hearings may be necessary on these issues, which could delay the proceeding. (*See Section "7. Need for Hearing"*.) Parties are encouraged to *meet and confer*, either in advance of preparing testimony to identify facts to which they can stipulate.

The Commission must determine the following issues in the proceeding:

**Phase One -**

**Long-Term Need, Planning Assumptions, Standards of Review,  
Otay Mesa Supply**

**Legal/Policy subject to briefs:**

1. What is an appropriate planning baseline, including base year and planning horizon, as it relates to current energy resources (including contracts), gas/electric import/export capability, and expected peak load?
2. Should such data include 2017 California annual gas report data as well as California Energy Commission (CEC) electricity demand forecasts for SDG&E's service area?<sup>21</sup>  
What is the impact on gas demand for the proposed project

---

<sup>21</sup> In compliance with D.02-11-073, SDG&E is required to provide semi-annual Gas Capacity and Planning and Demand data to the CPUC.

- when accounting for California's decarbonization laws (e.g., Senate Bill 350 and Senate Bill 32) and other state and local mandates?
3. How should the quantity of natural gas supply and amount of pipeline capacity that could be available for firm delivery (e.g., imports) to the Applicants' system at Otay Mesa be reasonably estimated/determined, over what period of time from which suppliers, and pipeline capacity owners, and at what indicative price and price ranges?<sup>22</sup>
  4. Will the proposed Line 3602 be a catalyst for proposed future infrastructure development in the region and increased natural gas use? If so, what are the long-term implications?
  5. Should applicants be required to conduct an open season to test the need for expansion beyond that indicated by the application of any approved planning criteria?<sup>23</sup>
  6. Is the project needed pursuant to the Commission's reliability standard for natural gas system planning? Is the level of gas transmission system reliability and redundancy<sup>24</sup> that would be provided by the proposed Line 3602 reasonable? What requires the Commission to change its current reliability standard to accommodate the proposed Line 3602 pipeline? <sup>25</sup>

---

<sup>22</sup> As to this question, parties suggested that parties could agree to stipulate to a number of facts. For example, note Federal Energy Regulatory Commission Docket No. CP93-117-004 "Order Amending Presidential Permit and Authorization Under Section 3 of the Natural Gas Act," issued September 15, 2006, which granted SDG&E amended authorizations to increase import/export border crossing facilities from 350 MMcf of gas per day to 800 MMcf per day granted by Mexico to Transportadora de Gas Natural de Baja California (TGN), an affiliated Mexican pipeline.

<sup>23</sup> See D.02-11-073 discussion about value of open seasons at 33-34.

<sup>24</sup> Applicants use the term "resiliency" and "redundancy" interchangeably throughout the Amended Application. See Amended Application at 5.

<sup>25</sup> For example, the existing 1-in-10 cold year condition, reliability standard for firm noncore customers in SDG&E's service territory and reliability standard of 1-in-35 for core customers,

*Footnote continued on next page*



7. Hypothetically, if feasible alternatives have no significant environmental impact, is there a need for the project?

**Material Facts subject to testimony, evidentiary hearings:**

8. How much additional capacity would be provided by the new 36-inch pipeline under various pressures and system configurations, and what volumes would be transported and from where? (Rule 3.1(k))
9. How do historical and forecast demand data for the Applicants' systems correspond to the increase in capacity that would be made available by the proposed project? (Rule 3.1(k))
10. What new incremental gas demands are proposed, planned, or under consideration in the Applicants' affiliates' service territories (including those owned or proposed by its parent company, Sempra Energy), in Mexico, in other proximate utility service territories, and in the southwest, and how are these incremental demands related to the need for the proposed Line 3602?

---

1-in-10 for noncore customers, and 1-in-35 for core local transmission customers for SoCalGas established in D.02-11-073 and D.06-09-039.

## **Short-Term Line 1600 Safety Compliance**

### **Legal/Policy subject to briefs:**

11. At the presently effective 512 psig transmission operating pressure, is Line 1600 in compliance with Pub. Util. Code § 958 and other state requirements; the Code of Federal Regulations, and other federal requirements; and Commission General Order 112-F, and other Commission requirements?<sup>26</sup> If not, what steps are necessary to bring Line 1600 into full compliance?
12. Is the Applicants' proposed derating of Line 1600 to 320 psig low enough to ensure the safety operations of Line 1600?<sup>27</sup> And if not, what is a sufficiently low pressure on Line 1600 to ensure safe operation?
13. Does SDG&E's and SoCalGas's proposed reduction of pressure to 320 psig on Line 1600, and any other required work as a result of that derating, comply with Pub. Util. Code § 950 and § 958 and other applicable federal, state, and Commission requirements (e.g. PSEP)?
14. How does this proceeding relate to the Applicants' other formal gas proceedings underway at the Commission, initiated via application and/or advice letter?
15. Should the Commissioners vote as part of any public process to vet and alter the PSEP decision tree?<sup>28</sup>

### **Material Facts subject to testimony and evidentiary hearings:**

16. Is it feasible, reasonable/cost-effective, and prudent to derate Line 1600 to 320 psig without any other changes to the SDG&E gas transmission system or contracting for firm gas resources sufficient to deliver the requisite gas supplies

---

<sup>26</sup> Pub. Util. Code § 958 and Commission D.11-06-017 require Applicants to pressure test or replace Line 1600.

<sup>27</sup> This pressure reflects 20% SMYS (Specified Minimum Yield Strength), which makes it a distribution line and out of the scope of the "test-or-replace" mandate in Pub. Util. Code § 958.

<sup>28</sup> D.14-06-007, Attachment 1.

- to SDG&E's Otay Mesa receipt point? If not, should the Applicants be responsible for making the necessary system changes, or should the Applicants' tariffs be modified to allow the Applicants to require shippers to tender gas to specific receipt points on the Applicants' system for redelivery to the Applicants' customers?
17. Is it feasible, reasonable/cost-effective and prudent to pressure test Line 1600 and return it to transmission service (e.g., 512 psig) without any changes to the SDG&E gas system?
  18. If Line 1600 at 512 psig is currently deemed "safe," but there are known hook cracks and manufacturing anomalies in transmission service in high consequence areas, how long should it be permitted to stay in service? If so, should Line 1600 be subject to more frequent testing?

## **Phase Two**

### **Need, Purpose, Design, Cost**

19. Does the proposed project serve a present or future public convenience and necessity? (Pub. Util. Code § 1001)
20. At the presently effective 512 psig transmission operating pressure of Line 1600, what are the implications for the need for the proposed project (e.g., actual replacement capacity)?

### **Proposed Line 3602 Safety Compliance**

21. How will the Applicants ensure that the proposed Line 3602 pipeline meets or exceeds all applicable federal and state safety regulations, rules, and requirements?<sup>29</sup>

---

<sup>29</sup> For example: automated valves designed and installed to isolate damaged segments within the same parameters included in SoCalGas and SDG&E's Pipeline Safety Enhancement Plan, if crossing any earthquake faults; and, any additional design measures (*i.e.* increased depth, monitoring equipment, greater wall thickness, etc.) if any, which would exceed the minimum requirements of General Order 112-F and 49 CFR Part 192 (adopted by reference in GO 112-F).

22. How will the Applicants ensure that the proposed Line 3602 pipeline management procedures and processes for the construction project provide public and worker safety during all phases of the project, including, but not limited to, trenching, construction/fabrication, testing, and initial operation?
23. What are the Applicants' management procedures and processes for fully documenting and retaining records and documents related to initial design, materials procurement, employee and contractor operator qualifications, construction, testing, and initial operation of the proposed Line 3602?

#### **Proposed Line 3602 Alternatives and Cost Effectiveness**

24. Do viable alternatives exist that would be more cost-effective than the proposed project at achieving the Line 1600 safety objectives while ensuring reliability? To what extent are the assumptions made by the Applicants in Volume III of their Amended Application to complete the cost-effectiveness analysis reasonable? (Pub. Util. Code § 1003(d).)<sup>30</sup>
25. What enhancements of the pipeline system (*e.g.*, pipeline expansion), if any, would be required to make varying quantities of natural gas available for delivery to the Applicants' system at Otay Mesa?
26. To what extent would operational limitations be placed on the Applicants' system by using an existing 20-inch pipeline (Line 2010) to connect the proposed Line 3602 (36 inch) to the existing Line 3600 (36 inch)?
27. Are all costs and benefits to customers that accompany each alternative being considered? For example, are there additional costs necessary to deliver gas provided under a lowered pressure on Line 1600? Or as another example,

---

<sup>30</sup> (See 1/22/16 Joint Ruling for a preliminary list of assumptions. Also, refer to Question #6 under "Planning Assumptions" in Phase One.)

are there additional costs incurred if gas compression is not used on proposed Line 3602?

28. Are there other projects already underway that could in a more cost-effective manner meet the needs of the proposed project needs and reliability concerns?

### **Market and Rate Impacts**

29. With which providers is the proposed project likely to compete? (Rule 3.1(b) and (c))
30. What is the impact of the proposed project, including any proposed operational enhancements at varying quantities, on Backbone Transportation Service (BTS) rates? What is the forecast annual rate impact for operation and maintenance of proposed Line 3602?
31. What is the impact of the proposed Line 3602 on shippers?
32. If the proposed Line 3602 results in excess capacity that may be used for current or future firm and/or non-firm export purposes, how should the Commission determine cost allocation between shareholders, ratepayers, and other entities?

### **Affiliate Transaction Rules**

33. Is the proposed project consistent with the Commission's affiliate transaction rules and policies for preventing anti-competitive practices?
34. Does the application provide sufficient data to ensure that utility ratepayers would not inappropriately cross-subsidize potential Sempra unregulated affiliate activities in the future?

### **Environmental Impacts**

35. Is there substantial evidence that the project will have a significant effect on the environment?
36. What are the significant environmental impacts of the proposed project?
37. Are there potentially feasible mitigation measures that will eliminate or lessen the significant environmental impacts?

38. Regarding the proposed project and the project alternatives, which are environmentally superior?
39. Are mitigation measures or project alternatives infeasible?
40. To the extent that the proposed project and/or project alternatives result in significant and unavoidable impacts, are there overriding considerations that nevertheless merit Commission approval of the proposed project or project alternative?
41. Was the EIR completed in compliance with CEQA, did the Commission review and consider the EIR prior to approving the project or a project alternative, and does the EIR reflect the Commission's independent judgment?

#### **Cost Cap**

42. If a certificate is granted, what is the maximum prudent and reasonable cost of the project (if approved)? (Pub. Util. Code § 1005.5)

Although the above list is extensive, it is not necessarily complete and is not intended to be so detailed as to exclude subset issues or other relevant issues that may need to be addressed during the course of this proceeding.

## **2. Schedule**

We will move forward with briefs and reply briefs on long-term need, planning assumptions, standards of review, Otay Mesa Supply and Line 1600 Safety Compliance in advance of the issuance of the joint environmental document (Issues 1-7, 11-15). We will also take evidence on related factual issues that may be subject to dispute (Issues 8-10 and Issues 16-18) in advance of the issuance of the joint environmental document.

The following schedule is adopted here and may be modified by the assigned Commissioner and/or Administrative Law Judge (ALJ) as required to promote efficient and fair resolution of the application. Due to the complexity and unique nature of this proceeding, this proceeding may require more than

18 months as provided by Pub. Util. Code § 1701.5, provided the joint CEQA/NEPA process is concluded before then. An additional prehearing conference may be scheduled following the completion of the draft and/or final joint environmental document, or as deemed appropriate by the ALJ.

Actions / Milestones		Date
<b>Formal Proceeding / Energy Division Staff</b>		
✓	Application and PEA Filed	9/30/15
✓	Responses and Protests to Amended Application	10/30/15
✓	Reply to Responses and Protests	11/12/15
✓	<i>PEA Deficiency Letter No. 1 to Applicants</i>	10/30/15
✓	<i>Applicants' Responses</i>	11/30/15 12/21/15
✓	<i>PEA Deficiency Letter No. 2 to Applicants</i>	12/30/15
✓	<i>Applicants' Responses</i>	1/11/16 2/12/16 2/16/16
✓	Joint Ruling Requiring an Amended Application	1/22/16
✓	Amended Application and PEA Filed with Testimony and Cost-Effectiveness Analysis	3/21/16
✓	Responses and Protests to Amended Application	4/21/16
✓	Reply to Responses and Protests	4/29/16
✓	<i>PEA Deficiency Letter No. 3 To Applicants</i>	4/29/16
✓	<i>Applicants' Responses</i>	5/26/16 8/11/16
✓	<i>Cost-Effectiveness Analysis Update and Data Requests to Applicants</i>	6/7/16
✓	<i>Applicants' Responses</i>	7/15/16 8/5/16 9/9/16 9/30/16
✓	ORA Motion to Dismiss Application	6/17/16
✓	Party Responses	7/1/16 7/5/16
✓	Ruling Denying Motion to Dismiss without Prejudice	7/18/16

✓	<i>PEA Deficiency Letter No. 4 to Applicants "Clarification Email"</i>	6/22/16
✓	<i>Applicants' Responses</i>	7/22/16
✓	<i>PEA Deemed Complete</i>	8/23/16
	<i>Applicant Responses to PEA Deemed Complete Letter</i>	10/7/16 10/14/16
✓	Ruling Establishing Prehearing Conference Date	8/15/16
✓	Prehearing Conference	9/22/16
✓	Scoping Memo Published	November 4, 2016
	<b>Long-term Need, Planning Assumptions, Standards of Review, Otay Mesa Supply, Short-term Line 1600 Safety Compliance (Issues 1-7, Issues 11-15)</b>	
	Opening Briefs	December 19, 2016
	Reply Briefs	January 23, 2017
	<b>ALJ Ruling Regarding Planning Assumptions, Standards of Review</b>	February, 2017
	<b>Long-term Need, Planning Assumptions, Standards of Review, and Short-term Line 1600 Safety Compliance (Issues 8-10, Issues 16-18)</b>	
	Applicant Opening Testimony	February 20, 2017
	Intervenor Testimony	March 20, 2017
	Rebuttal Testimony	April 17, 2017
	Cross Examination Estimates (emailed to ALJ and service list)	Late April 2017
	Evidentiary Hearings	May, 2017
	<i>CEQA/NEPA Public Scoping</i>	April 2017
	<i>Draft EIR/EA or EIS circulated</i>	August 2018 <sup>31</sup>

<sup>31</sup> Anticipated date established in CEQA/NEPA agency MOU signed on October 19, 2016.



	<b>Need, Purpose, Design, Cost, Proposed Line 3602 Safety Compliance, Alternatives and Cost Effectiveness, Market and Rate Impacts, Affiliate Transaction Rules, Environmental Impacts, Cost Cap<sup>32</sup> (Issues 19-42)</b>	To commence tentatively above completion of draft EIR
	Applicant Opening Testimony	TBD
	Intervenor Testimony	TBD
	Rebuttal Testimony	TBD
	Cross-examination estimates (emailed to ALJ and service list)	TBD
	Evidentiary Hearings	TBD
	<i>Final EIR/EA or EIR/EIS Completed</i>	TBD <sup>33</sup>
	Opening Briefs Due	TBD
	Reply Briefs Due	TBD
	Requests for Final Oral Argument	Concurrent with Reply Briefs for all scheduled briefings
	<b>Proposed Decision</b>	[no later than 90 days after submission]
	<b>Commission Decision and Certification of Environmental Document</b>	Commission decision [no sooner than 30 days after the proposed decision]

<sup>32</sup> Based on the vast scope and complexity of issues, there may be more than one deadline for prepared testimony, rebuttal testimony and evidentiary hearings. For example, the issue of “infeasibility” (Issue #39) could be deferred to a later stage in the proceeding after other CEQA/NEPA related issues are addressed.

<sup>33</sup> Timeline for development of the final environmental document subject to change according to ongoing status of the proceeding, extent of public comment, and Energy Division priorities.

The assigned Commissioner or assigned ALJ may modify this schedule as necessary to promote the efficient management and fair resolution of this proceeding.

Parties shall serve any briefs and/or prepared testimony on the official service list pursuant to Rule 1.9 and Rule 1.10, and shall serve two hard copies of it on the assigned ALJ. If the parties stipulate to the admission of written testimony without cross-examination, the ALJ may remove the evidentiary hearing from calendar and the parties may move the admission of prepared testimony by written motion pursuant to Rule 13.8(d).

The ALJ shall set the time for filing concurrent opening and reply briefs after the joint environmental document is admitted into evidence.

The proceeding will be submitted upon the filing of reply briefs, unless the assigned Commissioner or the ALJ directs further evidence or argument.

### **3. Motions for Party Status**

Any person who is not yet a party to the proceeding and who wishes to participate in the proceeding by presenting or cross-examining evidence or by briefing any of the identified issues should file a motion to become a party pursuant to Rule 1.4 of the Commission's Rules of Practice and Procedure.

### **4. Intervenor Compensation**

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 22, 2016, or 30 days after the PHC.

## **5. Category of Proceeding**

This ruling confirms the Commission's preliminary determinations that this is a ratesetting proceeding and that evidentiary hearings are needed.

(Resolution ALJ 176-3365 issued October 22, 2015.)

## **6. Need for Hearing**

The first phase of this proceeding addresses legal, policy, and factual issues and will require evidentiary hearings.

In the second phase of this proceeding, most issues are factual issues and require hearings. As to CEQA-related issues, Issue nos. 19 and 42 (public convenience and necessity for the project, and reasonable cost cap) are material factual issues. To the extent that they are contested, evidentiary hearings are needed on these issues. Issue nos. 36, 37, 38 (environmental impacts, mitigation measures and alternatives, and environmentally superior alternative) are material factual issues. However, they are properly addressed in the course of the joint environmental review process. To the extent any party or member of the public wishes to comment on these issues, they should do so during the noticed CEQA/NEPA comment period. Upon completion of the joint environmental document, Energy Division shall submit it to the ALJ for admission into the evidentiary record and review and consideration by the Commission. No formal evidentiary hearings or further evidence are needed on these issues.

Issue no. 39 (infeasibility of mitigation measures and/or project alternatives) is a material factual issue and evidentiary hearings are needed if any party contests it. However, it is not possible to determine this need until after the joint environmental document (or, tentatively, the draft joint environmental document) has been prepared. Issue no. 40 (overriding

considerations) concerns the weighing of project need (*e.g.*, issue no. 19, public convenience and necessity for the project) against the unmitigable environmental impacts (*e.g.*, issue no. 36.) Beyond the evidence taken with regard to issues no. 36 and 40 as described above, this issue is a matter of policy and further evidence is not needed on it. Issue no. 41 (certification of the EIR) is a legal issue of CEQA compliance and evidentiary hearing is not needed on it. Issue no. 21 (project design compliance) involves legal and factual issues. Evidence is needed and, to the extent that any party contests it, evidentiary hearings may be needed on this issue.

## **7. *Ex Parte* Communications**

In a ratesetting proceeding such as this one, *ex parte* communications with the assigned Commissioner, other Commissioners, their advisors and the ALJ are only permitted as described in Pub. Util. Code § 1701.3(c) and Article 8 of the Rules.

## **8. Filing, Service and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocols set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Parties are reminded, when serving copies of documents, the document format must be consistent with the

requirements set forth in Rules 1.5 and 1.6. Additionally, Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents.

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. Parties can find information about electronic filing of documents at the Commission's Docket Office at [www.cpuc.ca.gov/PUC/efiling](http://www.cpuc.ca.gov/PUC/efiling). All documents formally filed with the Commission's Docket Office must include the caption approved by the Docket Office and this caption must be accurate.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f). Discovery

## **9. Discovery**

Discovery may be conducted by the parties consistent with Article 10 of the Commission's Rules. Any party issuing or responding to a discovery request shall serve a copy of the request or response simultaneously on all parties. Electronic service under Rule 1.10 is sufficient, except Rule 1.10(e) does not apply to the service of discovery and discovery shall not be served on the ALJ. Deadlines for responses may be determined by the parties. Motions to compel or limit discovery shall comply with Rule 11.3.

## **10. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao> or contact the Commission's Public Advisor

at 866-849-8390 or 415-703-2074 or 866-836-7825 (TTY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

## **11. Exhibits**

Recently revised Rule 13.7 requires exhibits to be bound or stapled, and page numbered, and in some instances to have tables of contents. Parties are advised to review this rule. Additionally, this proceeding will follow the following numbering convention: all exhibits will be grouped and numbered by party. Therefore, the testimony served by SoCalGas and SDG&E with the application are labeled here as “SCG-1” through “SCG-9.” Parties should use a short name or acronym and prenumber testimony before service. This prenumbering will allow citation in intervenor testimony and rebuttal testimony to the final exhibit numbers admitted in the record. Parties are strongly encouraged to avoid the use of acronyms in testimony, briefs, and other filings. Clear plain language will enhance the accessibility of the complex issues and arguments we face in this proceeding to all audiences including the general public, the media, and others interested in this proceeding.

## **12. Briefs**

Consistent with scoping memo objectives, parties must use a common outline for briefs addressing the issue except for those issues which may settle by all parties. The outline is to be developed jointly by the parties. Parties shall include a Table of Authorities in briefs which lists the location of all sources cited in the brief. The parties may bring any unresolved disputes regarding the outline to the attention of the ALJ before the end of evidentiary hearings.

### **13. Settlement and Alternative Dispute Resolution**

While the schedule does not include specific dates for settlement conferences, it does not preclude parties from meeting at other times provided notice is given consistent with our Rules.

The Commission offers Alternative Dispute Resolution (ADR) services consisting of mediation, facilitation, or early neutral evaluation. Use of ADR services is voluntary, confidential, and at no cost to the parties. Trained ALJs serve as neutrals. The parties are encouraged to visit the Commission's ADR webpage at <http://www.cpuc.ca.gov/adr/>, for more information.

If requested, the assigned ALJ will refer this proceeding, or a portion of it, to the Commission's ADR Coordinator. Alternatively, the parties may contact the ADR Coordinator directly at [adr\\_program@cpuc.ca.gov](mailto:adr_program@cpuc.ca.gov). The parties will be notified as soon as a neutral has been assigned; thereafter, the neutral will contact the parties to make pertinent scheduling and process arrangements. Alternatively, and at their own expense, the parties may agree to use outside ADR services.

### **14. Final Oral Argument**

A party in a ratesetting proceeding in which a hearing is held has the right to make a Final Oral Argument before the Commission, if the argument is requested within the Closing Brief. (Rule 13.13.)

### **15. Assignment of Proceeding**

Lianne M. Randolph is the assigned commissioner and Colette E. Kersten is the assigned ALJ and presiding officer for the proceeding.

### **16. Opportunity to Participate in CEQA/NEPA Review**

Energy Division has initiated its environmental review, and will continue with that review to the extent possible pending the receipt of additional

information. As a part of the environmental review process, Energy Division will give notice of preparation of joint environmental document, and will provide the opportunity for public review and comment as part of that process, as required by CEQA and NEPA. The extent of public comment received on the draft joint environmental document will dictate the length of time required to complete the final EIR. Upon completion, the final joint environmental document will be admitted into the evidentiary record of this proceeding.

Any person who wishes to present evidence on environmental impact issues must do so through participation in the joint CEQA/NEPA review process.

**IT IS RULED that:**

1. The category of this proceeding is ratesetting. Appeals as to category, if any, must be filed and served within ten days from the date of this scoping memo.
2. Administrative Law Judge Colette E. Kersten is designated as the Presiding Officer.
3. The scope of the issues for this proceeding is as stated in "Section 1. Scope" of this ruling.
4. In Phase One and Phase Two of this proceeding, hearings are necessary.
5. The schedule for the proceeding is set in "Section 2. Schedule" of this ruling. The Assigned Commissioner and/or Presiding Officer may adjust this schedule as necessary for efficient management and fair resolution of this proceeding.
6. With limited exceptions that are subject to reporting requirements, ex parte communications are prohibited. (See Public Utilities Code § 1701.3(c); Article 8 of the Commission's Rules of Practice and Procedure.)



7. A party shall submit request for Final Oral Argument in its opening briefs, but the right to Final Oral Argument ceases to exist if hearings are not needed.

8. Parties shall adhere to the instructions provided in Appendix A of this ruling for submitting supporting documents (select: testimony, workshop reports, etc.)

Dated November 4, 2016, at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph  
Assigned Commissioner

## APPENDIX A

*The following text may be attached as an appendix or included as appropriate (e.g. the filing of supporting documents is anticipated shortly after issuing the scoping memo). If included within the text of the scoping memo it is suggested it follow section 8.*

### **1. Electronic Submission and Format of Supporting Documents**

The Commission's web site now allows electronic submittal of supporting documents (such as testimony and work papers).

Parties shall submit their testimony or workpapers in this proceeding through the Commission's electronic filing system.<sup>34</sup> Parties must adhere to the following:

- The Instructions for Using the "Supporting Documents" Feature, (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=158653546>) and
- The Naming Convention for Electronic Submission of Supporting Documents (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=100902765>).
- The Supporting Document feature does not change or replace the Commission's Rules of Practice and Procedure. Parties must continue to adhere to all rules and guidelines in the Commission's

---

<sup>34</sup> These instructions are for submitting supporting documents such as testimony and work papers in formal proceedings through the Commission's electronic filing system. Parties must follow all other rules regarding serving testimony. Any document that needs to be formally filed such as motions, briefs, comments, etc., should be submitted using Tabs 1 through 4 in the electronic filing screen.

Rules of Practice and Procedures including but not limited to rules for participating in a formal proceeding, filing and serving formal documents and rules for written and oral communications with Commissioners and advisors (i.e. “ex parte communications”) or other matters related to a proceeding.

- The Supporting Document feature is intended to be solely for the purpose of parties submitting electronic public copies of testimony, work papers and workshop reports (unless instructed otherwise by the Administrative Law Judge), and does not replace the requirement to serve documents to other parties in a proceeding.
- Unauthorized or improper use of the Supporting Document feature will result in the removal of the submitted document by the CPUC.
- Supporting Documents should not be construed as the formal files of the proceeding. The documents submitted through the Supporting Document feature are for information only and are not part of the formal file (i.e. “record”) unless accepted into the record by the Administrative Law Judge.

All documents submitted through the “Supporting Documents” Feature shall be in PDF/A format. The reasons for requiring PDF/A format are:

- Security – PDF/A prohibits the use of programming or links to external executable files. Therefore, it does not allow malicious codes in the document.
- Retention – The Commission is required by [Resolution](#) L-204, dated September 20, 1978, to retain documents in formal proceedings for 30 years. PDF/A is an independent standard and the Commission

staff anticipates that programs will remain available in 30 years to read PDF/A.

- Accessibility – PDF/A requires text behind the PDF graphics so the files can be read by devices designed for those with limited sight. PDF/A is also searchable.

Until further notice, the “Supporting Documents” do not appear on the “Docket Card”. In order to find the supporting documents that are submitted electronically, go to:

- Online documents, choose: “[E-filed Documents](#) ”,
- Select “Supporting Document” as the document type, ( do not choose testimony)
- Type in the proceeding number and hit search.

Please refer all technical questions regarding submitting supporting documents to:

- Kale Williams ([kale.williams@cpuc.ca.gov](mailto:kale.williams@cpuc.ca.gov)) 415 703- 3251 and
- Ryan Cayabyab ([ryan.cayabyab@cpuc.ca.gov](mailto:ryan.cayabyab@cpuc.ca.gov)) 415 703-5999

(END OF APPENDIX A)